



April 22, 2014

The Honorable Marvin Kleebl, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 286-N
Topeka, Kansas 66612

Dear Representative Kleebl:

SUBJECT: Fiscal Note for HB 2560 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2560 is respectfully submitted to your committee.

Under current law, the Kansas minimum wage is \$7.25 per hour. HB 2560 would raise the minimum wage that all employers would be required to pay to \$10.10 an hour beginning on January 1, 2015.

Estimated State Fiscal Effect				
	FY 2014 SGF	FY 2014 All Funds	FY 2015 SGF	FY 2015 All Funds
Revenue	--	--	\$1,900,000	\$1,900,000
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2560 would increase State General Fund revenues by \$1.9 million in FY 2015. The increase in revenues and how the April 17, 2014 Consensus Revenue Estimate for FY 2015 would be affected are shown in the following table:

Effect on FY 2015 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (April 17, 2014)	Change in Revenue FY 2015	Proposed Adjusted CRE FY 2015
Motor Carrier	\$ 24,000	\$ --	\$ 24,000
Income Taxes:			
Individual	2,525,000	1,900	2,526,900
Corporate	425,000	--	425,000
Financial Institutions	38,000	--	38,000
Excise Taxes:			
Retail Sales	2,170,000	--	2,170,000
Compensating Use	360,000	--	360,000
Cigarette	89,000	--	89,000
Severance	136,200	--	136,200
All Other Excise Taxes	111,000	--	111,000
Other Taxes	<u>172,000</u>	<u>--</u>	<u>172,000</u>
Total Taxes	\$6,050,200	\$ 1,900	\$6,052,100
Other Revenues:			
Interest	\$ 10,000	\$ --	\$ 10,000
Transfers	(119,700)	--	(119,700)
Agency Earnings	<u>50,900</u>	<u>--</u>	<u>50,900</u>
Total Other Revenues	(\$ 58,800)	\$ --	(\$ 58,800)
Total Receipts	\$5,991,400	\$ 1,900	\$5,993,300

To formulate these estimates, the Department of Revenue examined 2012 salary and wage information from the Federal Bureau of Labor Statistics. The data indicates that at least 29,000 Kansas are paid at least \$7.25 per hour which is the current state and federal minimum wage. Increasing the state minimum wage to \$10.10 per hour and assuming a state income tax rate of 2.7 percent, the bill would increase individual income tax receipts by at least \$4.6 million in tax year 2015. Because the tax year and fiscal year do not cover the same months, the bill is estimated to increase individual income tax receipts by \$1.9 million in FY 2015 and by \$4.6 million in FY 2016 when the fully annualized effect of the wage increase is applied.

The Department of Labor indicates the bill has the potential to increase costs for unemployment insurance benefits paid out from the Employment Security Trust Fund; however, the Department is unable to estimate the amount of additional costs.

The bill would have no fiscal effect on the operations of the Department of Revenue or the Department of Labor. The bill has the potential to increase costs to state agencies and private

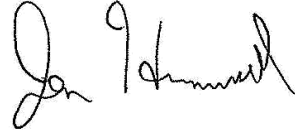
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employers that currently hire workers at wage rates below \$10.10 per hour. Any fiscal effect associated with HB 2560 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is written in a cursive style with a large initial "J" and a distinct "H".

Jon Hummell,
Interim Director of the Budget

cc: Dawn Palmberg, Labor
Steve Neske, Revenue